

Taxes

When I first ran for Congress I pledged to lead the fight to restore sales tax deductibility for Washington state residents. In 2004, working closely with Senator Maria Cantwell and House colleagues from both sides of the political aisle, we won that fight, saving our taxpayers over \$500 million a year on their federal returns. Having obtained this victory, we are now working to make this provision a permanent feature of the tax code so Washington taxpayers will continue to be treated fairly.

In addition to fighting for tax fairness for Washington residents, I have also voted to eliminate the marriage penalty, lower taxes for moderate income families, and reform the estate tax to help preserve small businesses and family farms. To help small businesses access capital, I have introduced bi-partisan legislation to let small businesses withhold their taxes in order to use the capital for business growth and job creation.

While voting for these fair and common sense reforms, I am committed to restoring balance to the federal budget. That is why I have voted to oppose special tax breaks for the most affluent individuals and corporations. I have also voted to close tax loopholes that let the very wealthy avoid paying their fair share and I have strongly supported elimination of tax subsidies for U.S. corporations that locate off shore.

Taxes are indeed, as someone said the price we pay for a civilized society. But when it comes to how we collect those taxes, I believe the system should be simple and fair and should encourage - not inhibit - business growth and job creation.

Sales Tax Deductibility

Because of Congressman Baird's leadership, for the first time in almost two decades Washington state taxpayers can now deduct state sales tax from their federal income tax returns. This deduction saves Washington state families more than \$350 million every year on their federal income tax returns and resulting in more than \$530 million in additional economic activity in Washington.

To pass this law, Congressman Baird worked tirelessly to build a strong bipartisan coalition of lawmakers from seven states that, like Washington, have state sales taxes but no state income tax. Together with his Republican cosponsor, Kevin Brady from Texas, and with leadership in the Senate from Washington Senator Maria Cantwell, Congressman Baird succeeded in changing the law and making sales tax deductibility a reality. A fellow member of Congress declared Congressman Baird the "father of sales tax deductibility."

Having achieved this first, short-term goal, Congressman Baird is now working to make the deduction permanent and has introduced the Permanent Permanent Sales Tax Deduction Act.

Capital for Small Businesses

Access to affordable financing and capital is one of the chief obstacles preventing small business growth. Congressman Baird has championed the Business Retained Income During Growth and Expansion (BRIDGE) Act. The BRIDGE Act allows fast-growing small and mid-sized businesses to defer a portion of their federal income tax liability for two years in order to invest the money in the growth of their businesses. When implemented, this proposal is expected to create over 900,000 new jobs in three years. It will also generate new revenue for the federal government when the deferred taxes are gradually paid back with interest by the businesses.

Start Up Success Accounts

Small businesses can be a vehicle to make dreams a reality, but they can also be a nightmare of tax burdens and paperwork. To help small businesses start off well and continue to grow, Congressman Baird introduced the Start Up Success Accounts (SUSA) Act. Structured to help small businesses, SUSA accounts would allow business owners to defer taxes on some of their income for each of the first five years the business is open. This proactive program allows businesses to plan for and anticipate new expenses or potential downturns. Businesses can use the SUSA accounts as collateral for competitive loans to expand or draw from the account during difficult times, rather than go further into debt.

Cross-River Tax

Over 50,000 Southwest Washington residents currently pay Oregon income taxes. In recent years, Clark County residents have paid more than \$100 million each year to Oregon State. The justification typically offered for imposing the Oregon income tax on Washington residents is that out-of-state residents entering Oregon to work exact a toll on the infrastructure of that state, and that such commuters should pay for services and facilities used while working on that side of the Columbia River.

Although Congressman Baird understands Oregon's concerns about addressing infrastructure needs, he does not believe Washington residents should have to bear an equivalent tax burden to Oregon residents, who benefit from many services that are unavailable to Washington residents. To address this inequity, Congressman Baird has introduced the Nonresident Income Tax Freedom Act, which would prohibit a state from imposing a tax on income earned by a nonresident.

Estate Tax Reform

Congressman Baird believes that the estate tax needs to be reformed. He has cosponsored legislation and voted to permanently reform the estate tax by immediately exempting up to \$10 million dollars in assets from any tax at death. This reform will protect more than 99 percent of family-owned businesses, forests, and farms from paying any estate taxes. He believes this is a common sense compromise that would benefit local, family-owned businesses and farms.

Congressman Baird will continue to advocate for legislation to reform the estate tax and reduce the tax burden on family owned businesses and farms. He has also supported measures that allow family-owned businesses and farms to pass all their tangible business or farm assets on to family members tax free, as long as the business or farm stays in the family's hands. These fair and common sense changes will help local, family businesses stay local and family-owned and keep our communities stronger.

Loopholes and Offshore "Tax Havens"

When large corporations create bogus operations outside of the U.S. to avoid tax responsibilities they increase the burden on companies that remain loyal and obey the laws governing American businesses. So called corporate "inversions" typically involve the creation of a new foreign corporation in a country with low tax rates (a "tax haven") that then becomes the parent of the firm's foreign and U.S. corporations.

Congressman Baird believes that we should not continue to punish those companies that play by the rules. That is why he supports legislation aimed specifically at deterring past, present, and future corporate inversions. He has also voted to prevent companies that evade their domestic tax responsibilities from participating in U.S. government contracts.

Internal
Revenue Service

Washington
State Department of Revenue

Joint
Committee on Taxation

Washington
Tax Center (file and pay state taxes)

Washington
State Board of Tax Appeals